

Message Text

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PAGE 01 CARACA 12270 252134Z

17

ACTION EB-07

INFO OCT-01 ARA-06 ISO-00 AID-05 CIAE-00 COME-00 FRB-03

INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03 SP-02

CIEP-01 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-04

CEA-01 L-03 H-02 PA-01 PRS-01 /081 W

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R 252102Z NOV 75

FM AMEMBASSY CARACAS

TO SECSTATE WASHDC 1012

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EO 11652: NA

TAGS: EFIN ECRP VE

SUBJ: TAX REFORM

REF: CERP 0202

1. THE PRESS REPORTED NOVEMBER 25 THAT ACCORDING TO HIGH LEVEL OFFICIALS IN THE GOVERNMENT THE PRESIDENT HAS DEFINITELY DECIDED TO POSTPONE A MAJOR OVERHAUL OF THE TAX SYSTEM UNTIL NEXT YEAR, POSSIBLY WHEN THE SPRING SESSION OF CONGRESS CONVENES IN MARCH 1976. THE POSTONEMENT WAS CONFIRMED BY OFFICIALS IN THE MINISTRY OF FINANCE ACCORDING TO THE PRESS. AT ONE TIME THE TAX REFORM LEGISLATION WAS EXPECTED AFTER THE CONGRESS'S DELIBERATION OF THE OIL NATIONALIZATION THIS PAST SUMMER.

2. COMMENT - THE OFFICIAL POSTPONEMENT NO DOUBT WAS A REACTION TO THE SPECULATION WHICH HAS OCCURRED RECENTLY IN THE PRESS CONCERNING THE NATURE OF THE INCOME TAX REFORM BEING PREPARED BY THE MINISTRY OF FINANCE. IT WAS ALSO PROBABLY DESIGNED TO ALLAY CRITICISM BY THE FEDECAMARAS CONCERNING THE NEGATIVE EFFECT INCREASED TAXES WOULD HAVE ON INVESTMENT AND ECONOMIC DEVELOPMENT OF THE COUNTRY.

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ON THE OTHER HAND, POSTPONEMENT OF THE TAX REFORM WILL BRING

THE GOVERNMENT CLOSER TO THE NEXT PRESIDENTIAL ELECTION IN
1978 AND THE LONGER THE GOVERNMENT WAITS THE LESS LIKELI-
HOOD OF A MEANINGFUL TAX REFORM TAKING PLACE.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: CERP 0202
Control Number: n/a
Copy: SINGLE
Draft Date: 25 NOV 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: GolinoFR
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975CARACA12270
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750411-0420
From: CARACAS
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19751113/aaaaakqz.tel
Line Count: 65
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: GolinoFR
Review Comment: n/a
Review Content Flags:
Review Date: 15 SEP 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <15 SEP 2003 by RowellE0>; APPROVED <30 OCT 2003 by GolinoFR>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
06 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: TAX REFORM
TAGS: EFIN, ECRP, VE
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006